

DEPARTMENT OF TRANSPORTATION**OFFICE OF THE DIRECTOR**

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May 16, 2003

TO: All TCRP Lead Applicants and Implementing Agencies

The Governor's Budget May Revision for Fiscal Year (FY) 2003-04 was released on May 14, 2003. The May Revision includes a modification of the Governor's Budget proposal to suspend the transfer of revenues from the sales tax on gasoline. Specifically, the May Revision proposes \$207 million in additional funding to the Traffic Congestion Relief Fund (TCRF). If approved by the Legislature, the \$207 million in additional funding, combined with funding provided through previous years budget acts, provides sufficient revenue to continue work on all Traffic Congestion Relief Program (TCRP) projects that received an allocation prior to December 2002.

The total estimated revenue from the sales tax on gasoline, which would be transferred from the General Fund to the Transportation Investment Fund (TIF), absent a TIF suspension, is \$1.145 billion. The May Revision proposes a partial suspension of the General Fund transfer to the TIF. The \$207 million will be transferred to the TIF, then to the TCRF, to reimburse eligible project costs for those projects with an existing allocation. The remaining \$938 million is proposed to be loaned to the General Fund. Budget Bill language will include provisions requiring repayment from the General Fund to the TIF no later than June 30, 2009.

The basis of the budget proposal is the estimated expenditure level defined in the cash-flow survey developed by the California Transportation Commission (CTC) staff in cooperation with Department of Transportation (Department) staff and local and regional agency project sponsors. The May Revision provides funding for the phase(s) of work covered by an existing allocation.

The summary below outlines the status of existing allocations and expenditure projections, and the existing and proposed resources. As indicated, the existing resources plus the \$207 million of proposed new resources will allow the Department to meet its cash-flow needs through FY 2003-04.

Summary of Allocations and Expenditures:

TCRF allocations through December 2002	\$ 1,494 million
Expenditures to date	\$ 619 million
Addition expenditures through FY 2003-04	\$ 652 million
Cumulative Expenditures through FY 2003-04	\$ 1,271 million
Expenditures beyond FY 2003-04	\$ 223 million

Summary of Existing and Proposed Revenue:

Existing Revenue	\$ 1,064 million
May Revision proposed funding from TIF	\$ 207 million
Cumulative Revenue through FY 2003-04	\$ 1,271 million
Revenue needed beyond FY 2003-04	\$ 223 million

Attached is a list of projects and phases that have received an allocation from the TCRP and are eligible to continue to incur project expenses and seek reimbursement of actual costs. The Department continues to provide reimbursements for actual costs based on approved invoices from implementing agencies. The allocated amount establishes the maximum reimbursements that can be funded under the May Revision proposal. The proposal does not contain sufficient resources to provide advance payment or accelerated payment in advance of other funding sources.

The Governor's May Revision is a proposal that must still be approved by the legislature to provide the \$207 million in additional funding. Without this additional funding, there will not be enough funds to cover the expected expenditures that will occur in FY 2003-04. We must, therefore, continue to advise that any project expenditures against the TCRF, including those with existing allocations, may be at risk for future reimbursement. Expenditures incurred which are not covered by an existing allocation may be eligible for reimbursement in the

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future under the provisions of Government Code Section 14556.33. This statute allows a regional or local agency to apply to the CTC for a letter of no prejudice. If approved by the CTC, the letter of no prejudice allows a sponsor agency to expend its own funds and seek an allocation of funds at a later date. However, sponsor agencies that incur such expenditures may have to wait for reimbursement until funds are appropriated to the TCRF. The Department and CTC are drafting guidelines to implement this statute.

The Legislature will consider the Governor's Budget May Revision in the development of the FY 2003-04 budget act. We will continue to provide updated information as it becomes available throughout the remainder of the budget development process.

Sincerely,

ORIGINAL SIGNED BY

ROSS A. CHITTENDEN

Acting Program Manager

Governor's Traffic Congestion Relief Program